

UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Before Commissioners:

Ruth Y. Goldway, Chairman;  
Robert G. Taub, Vice Chairman;  
Mark Acton; and  
Nanci E. Langley

Notice of Market Dominant Price  
Adjustment for Alternate Postage  
Payment Method

Docket No. R2014-1

NOTICE AND ORDER CONCERNING MARKET DOMINANT CLASSIFICATION AND  
PRICE CHANGES FOR THE ALTERNATE POSTAGE PAYMENT METHOD

(Issued November 7, 2013)

I. INTRODUCTION

On November 5, 2013, the Postal Service filed a notice with the Commission announcing its intent to add Alternate Postage Payment as a price category for First-Class Mail Single-Piece letters and cards pursuant to 39 U.S.C. 3622 and 39 CFR 3010.<sup>1</sup> The classification and price adjustment will permit producers of First-Class Mail Single-Piece letters and cards to prepay postage so that the mailer would not need to affix a stamp (Adjustment). *Id.* at 2. The Adjustment is proposed to take effect at 12:01 a.m. on January 1, 2014. *Id.* at 1.

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<sup>1</sup> United States Postal Service Notice of Market Dominant Classification and Price Changes for the Alternate Postage Payment Method, November 5, 2013 (Notice).

## II. POSTAL SERVICE FILING

*Alternate Postage Payment category.* The Postal Service plans to add Alternate Postage Payment as a price category for First-Class Mail Single-Piece letters and cards. *Id.* at 2. The Postal Service states that the Adjustment will permit producers of First-Class Mail Single-Piece letters and cards to prepay the mailer's postage without the need for affixing a stamp. *Id.* Customers need only address the letter or card and drop it in a collection box. *Id.* at 3. Its simplicity will make customers more likely to mail greeting cards and other correspondence. *Id.* The Adjustment will be a premium offering and will be priced above current First-Class Mail Single-Piece postage rates. *Id.*

The Postal Service states that participating businesses will produce and distribute pre-approved envelopes and postcards according to specific design requirements established by the Postal Service and have the option of increasing the value of the pre-approved envelopes by applying a customized Picture Permit at no additional charge. *Id.* Postage will be paid by participating businesses in two stages: (1) an agreed upon prefunded portion of the total postage when the mailpiece is produced or distributed, and (2) the remaining portion when the Intelligent Mail barcode (IMb) on the mailpiece is scanned during normal processing. *Id.* IMb technology will be used to identify and count each mailpiece during processing, and once scanned, the participating business' Centralized Automated Processing System (CAPS) account will be debited. *Id.* After purchasing the pre-approved envelopes from participating businesses, individual customers can then mail the item without using regular postage. *Id.*

The Postal Service states that it has been conducting research through the Alternate Postage Payment Method for Greeting Cards Market Test.<sup>2</sup> The Postal Service asserts that the market test has been successful and demonstrates the demand

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<sup>2</sup> See Docket No. MT2011-1, Order No. 617, Order Approving Market Test of Alternate Postage Payment Method for Greeting Cards, December 21, 2010; see also Docket No. MT2011-1, Order No. 1577, Order Granting Motion Concerning Market Test, December 13, 2012.

for this service as well as verifying the Postal Service's ability to capture the scan data needed to collect postage from participating businesses. Notice at 4. The Postal Service has included as an attachment a redacted version of the most recent data from the Alternate Postage Market Test. *Id.* at Attachment B. In addition, the Postal Service filed as a non-public library reference an unredacted version of the most recent data from the Alternate Postage Market Test.<sup>3</sup>

The Postal Service proposes a tiered pricing approach. Notice at 5. The proposed pricing approach accommodates price tiers that require up to 20 percent, 21-50 percent, and over 50 percent of the postage to be prefunded. *Id.* at 5. The Postal Service also proposes to charge a slightly lower per-piece postage rate when companies choose a higher prefunding level, thus allowing businesses to choose a prefunding level based on their unique business needs. *Id.* It indicates the starting price differentials between tiers will be small, but may be adjusted in future filings based on customer response.

The Postal Service provides the proposed pricing structure and requests that the Commission set the Alternate Postage rates as described in Table 1. *Id.* at 6. Due to the prevailing uncertainty surrounding First-Class Mail Single-Piece letter and card rates in 2014, the Postal Service states that it does not intend for the Commission to set the Alternate Postage rates in this manner in subsequent years. *Id.* at n.9. In addition, as the ultimate Alternate Postage price is uncertain, the Postal Service has left prices listed in the Mail Classification Schedule (MCS) blank. *Id.*, see also *id.* at Attachment A.

*Impact on the price cap.* The Postal Service states that the planned prices have no impact on price cap issues because they do not change the prices for any existing First-Class Mail price categories. *Id.* at 6. Therefore, it made no cap or price change calculations as described in rules 3010.14(b)(1) through (4). *Id.* at 7.

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<sup>3</sup> See Notice of the United States Postal Service of Filing of Non-Public Library Reference USPS-LR-R2014-1/CP1, November 5, 2013. This filing also included an application for non-public treatment of materials.

*Objectives and factors, workshare discounts, and preferred rates.* The Postal Service lists the relevant objectives and factors of 39 U.S.C. 3622, and claims the Adjustment does not substantially alter the degree to which First-Class Mail prices already address the objectives and factors. *Id.* at 7-11. In particular, the Postal Service contends that the Adjustment is an example of the increased pricing flexibility under the Postal Accountability and Enhancement Act (objective 4), and will encourage new mail volumes, which will have the effect of enhancing the financial position of the Postal Service (objective 5). *Id.* at 10. Similarly, the Postal Service claims that the Adjustment encourages increased mail volume (factors 1 and 7) and, by providing a more convenient option for sending letters and cards, with additional postage exceeding any additional costs, will help First-Class Mail cover attributable costs (factor 2). *Id.* at 10-11. Finally, the Postal Service states the Adjustment's use of an IMb to collect postage will promote use of Intelligent Mail (factor 13). *Id.* at 11.

*Workshare discounts and preferred rates.* According to the Postal Service, the Adjustment will not impact current workshare discounts and no preferred rates are implicated. *Id.* at 11.

*Mail Classification Schedule (MCS).* The Postal Service provides proposed MCS language in Attachment A of its Notice.

### III. COMMISSION ACTION

The Commission establishes Docket No. R2014-1 to consider all matters related to the Notice. The Commission's rules provide for a 20-day comment period starting from the date of the filing of the Notice. See 39 CFR 3010.13(a)(5). Interested persons may express views and offer comments on whether the planned changes are consistent with the policies of 39 U.S.C. 3622 and 39 CFR 3010. Comments are due no later than November 25, 2013.

The Commission appoints Sean C. Duffy to represent the interests of the general public in this proceeding.

#### IV. ORDERING PARAGRAPHS

*It is ordered:*

1. The Commission establishes Docket No. R2014-1 to consider matters raised by the Postal Service's November 5, 2013 Notice.
2. Interested persons may submit comments on the planned price category implementation. Comments are due no later than November 25, 2013.
3. Pursuant to 39 U.S.C. 505, Sean C. Duffy is appointed to serve as an officer of the Commission (Public Representative) to represent the interests of the general public in this proceeding.
4. The Secretary shall arrange for publication of this notice in the *Federal Register*.

By the Commission.

Shoshana M. Grove  
Secretary